

**LONG-TERM COMMERCIAL MARKET POTENTIAL
ANALYSIS FOR KINGMAN CROSSING
FINAL REPORT**

PREPARED FOR:

**CITY OF KINGMAN, ARIZONA
310 NORTH FOURTH STREET
KINGMAN, ARIZONA 86401**

MARCH 9, 2017

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	III
1.0 INTRODUCTION	1
1.1 PROJECT DESCRIPTION.....	1
1.2 REGIONAL AND LOCAL MARKET AREA	2
2.0 MARKET AREA PROFILE.....	5
2.1 POPULATION & INCOME	5
2.2 EMPLOYMENT.....	7
2.3 VISITORS	8
3.0 RETAIL MARKET CONDITIONS.....	11
3.1 CURRENT RETAIL DEMAND AND SALES	11
3.2 DEMAND AND SALES ADJUSTMENTS.....	12
3.3 MARKET AREA OPPORTUNITIES AND GROWTH	15
4.0 COMPETITIVE ENVIRONMENT.....	19
4.1 RETAIL SALES.....	19
4.2 LODGING	22
5.0 KINGMAN CROSSING POTENTIAL.....	24

EXECUTIVE SUMMARY

The purpose of this study is to evaluate the long-term commercial market potential of Kingman Crossing in Kingman, Arizona. Kingman Crossing is a mixed-use development containing a potential regional commercial site of up to 300 acres. It is located on both sides of Interstate 40, between Castle Rock Road and Prospect Street. The market analysis assumes construction of a new freeway interchange on Interstate 40 that would directly serve the development, and increase access to the emerging east Kingman area.

The market potential of the site for regional retail, restaurant and entertainment services is driven by demand from the local Kingman market area, as well as from current and projected traffic volumes on Interstate 40 and U.S. Highway 93. This analysis results in an opinion on the amount and timing of commercial development that could occur at the Kingman Crossing Project by 2035.

The current level of retail leakages in the market area, combined with capture rates for Kingman Crossing, translate into about 382,000 square feet of retail and entertainment space and about 280 hotel rooms (totaling 62.5 acres) that could be supported at Kingman Crossing. This estimate is based on consumer expenditures that are currently made outside the region, but could be captured locally. The largest current opportunities include home furnishing and clothing. The supportable space at Kingman Crossing could yield an estimated \$3.0 million in annual city sales taxes and \$247,000 in annual lodging taxes.

In terms of future growth, the analysis presents two possible scenarios: a baseline scenario and an optimistic scenario. The baseline scenario relies on the medium series population projections for sub-county areas from the Arizona Office of Economic Opportunity, while the optimistic scenario relies on the high series projections. The optimistic scenario also incorporates a 15 percent greater increase in visitor volumes.

Under the baseline scenario, growth in demand from residents and visitors could support an additional 293,000 square feet and about 750 hotel rooms at Kingman Crossing by 2025, and an additional 307,000 square feet and 700 hotel rooms by 2035. Including both current and projected demand, this could result in a total of 982,000 square feet and about 1,700 hotel rooms by 2035, or about 207.6 acres at Kingman Crossing. This translates into \$10.8 million in annual city sales and lodging taxes by 2035. The largest retail categories in terms of future growth include grocery (food at home), restaurants and home furnishings. There is also a significant demand for additional hotel rooms driven by increased traveler volume in the market area.

Under the optimistic scenario, increased demand could support an additional 466,000 square feet and 1,100 hotel rooms at Kingman Crossing by 2025, and an additional 331,000 square feet and 800 hotel rooms by 2035. All total, current demand combined with the level of future growth under the optimistic scenario could yield 1.18 million square feet of additional retail and entertainment space and 2,200 hotel rooms occupying about 252.8 acres at Kingman Crossing by 2035. This translates into \$13.6 million in annual city sales and lodging taxes by 2035.

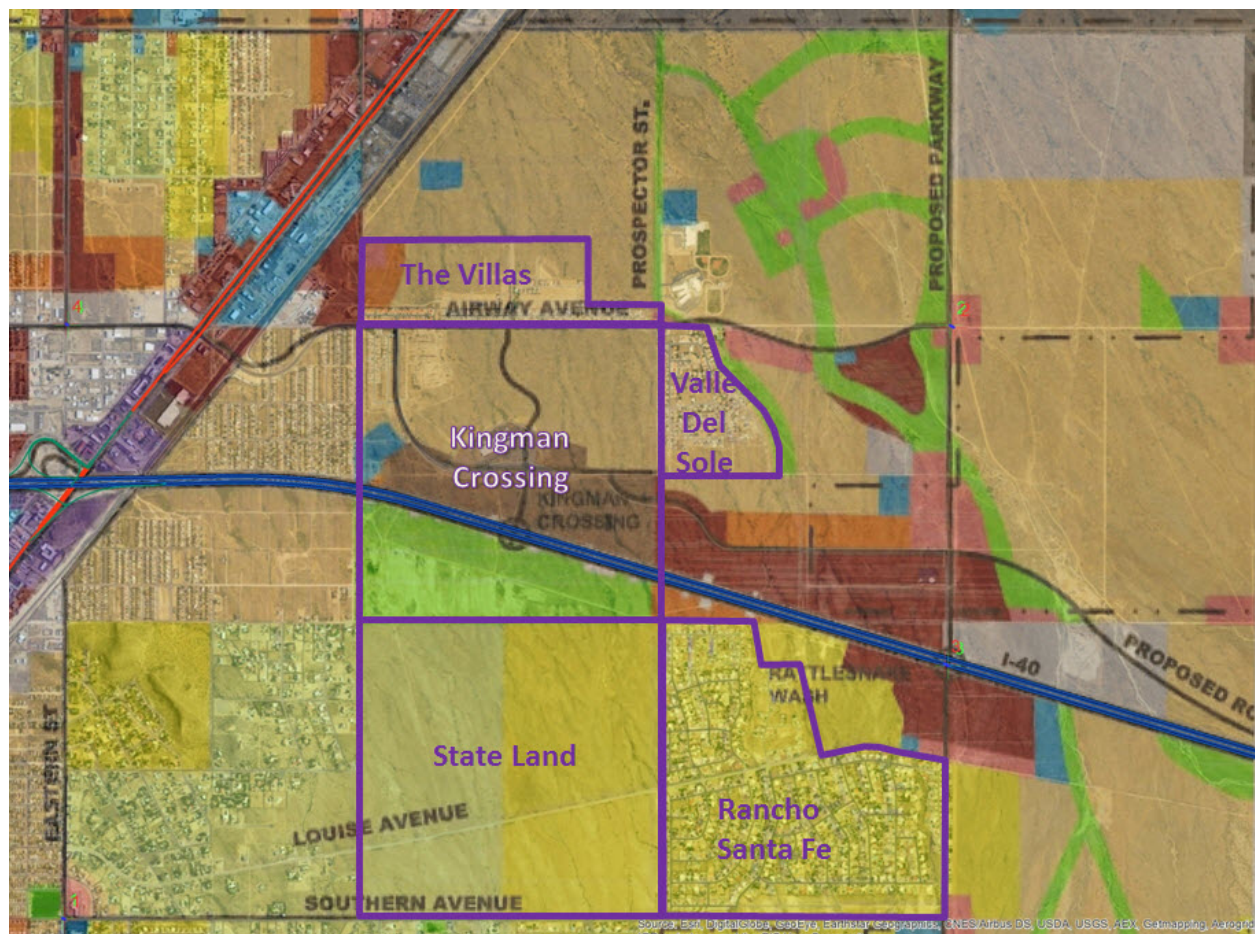
1.0 INTRODUCTION

The purpose of this study is to evaluate the long-term commercial market potential of Kingman Crossing in Kingman, Arizona. The analysis identifies market potential of the site for regional retail, restaurant and entertainment services based on demand from the local Kingman market area, as well as from current and projected traffic volumes on Interstate 40 and U.S. Highway 93. The analysis results in an opinion on the amount and timing of development that could be expected to occur in the Kingman Crossing Project by 2035.

1.1 PROJECT DESCRIPTION AND LOCATON

Kingman Crossing is a mixed-use development containing a potential regional commercial development site of up to 300 acres. It is located on both sides of Interstate 40, between Castle Rock Road and Prospect Street, as shown in **Figure 1**. The market analysis assumes the construction of a new freeway interchange on Interstate 40 that would directly serve the development and increase access to the emerging east Kingman area.

FIGURE 1: PROJECT LOCATION AND AREA LAND USE



The Kingman Crossing development is planned to have about 1,200 homes on approximately 300 acres, and a mix of commercial uses on 148 acres designated for Regional Commercial on the north side of Interstate 40. The Hualapai Mountain Campus of Kingman Regional Medical Center currently occupies 19 of these 148 acres. The parcel on the south side of Interstate 40, which is owned by the City of Kingman, is 168.4 acres and is currently designated as Parks/Open Space. A proposal exists to amend the Kingman General Plan for this parcel that would keep 17.1 acres on the west edge of the parcel for Parks/Open Space and re-designate the other 151.3 acres as Regional Commercial. The Regional Commercial designation allows for many different types of uses, in addition to retail development.

As shown in **Figure 1**, Kingman Crossing is well-positioned to serve several new housing developments in east Kingman. Existing and future developments in this area are likely to comprise the majority of the residential development and population growth in Kingman for the foreseeable future. This could include development of the 640-acre State Land parcel that sits directly to the south of Kingman Crossing. The accessibility of the site, and the potential to serve future growth, are strong assets supporting future commercial development at Kingman Crossing.

1.2 REGIONAL AND LOCAL MARKET AREAS

Demand for commercial development will be driven by the local Kingman market area, as well as from current and projected visitors to the region. As shown in **Figure 2**, Kingman is strategically located at the crossroads of Interstate 40 and U.S. Highway 93 in an area that is over 100 miles from the next closest community on either thoroughfare in any direction. Over 7.5 million people live within 200 miles of Kingman and over 29 million people live within 300 miles, which includes much of Southern California.

The majority of the traffic flow on Interstate 40 is east-west, limiting the impact of the area's proximity to Las Vegas, which is the closest major market. However, the flow of traffic north-south is projected to increase almost as fast as the east-west traffic over the next 20 years, and it would expand even more in the long-term based on the progress of Interstate 11. Interstate 11 would replace U.S. Highway 93 between Phoenix and Las Vegas and would likely boost through traffic considerably, however, the timeline for construction of the north segment from Phoenix to Las Vegas is uncertain.

The Interstate 11 and Intermountain West Corridor Study, produced by ADOT and NDOT, noted that the amount of freight passing through and traveling within the region will increase by over 50 percent by 2040. As shown in **Figure 3**, the majority of freight will still be moving in the east-direction. This puts Kingman in a strategic position to benefit from the increase in freight volumes, which should help increase retail sales potential created by visitors.

FIGURE 2: REGIONAL MARKET AREA

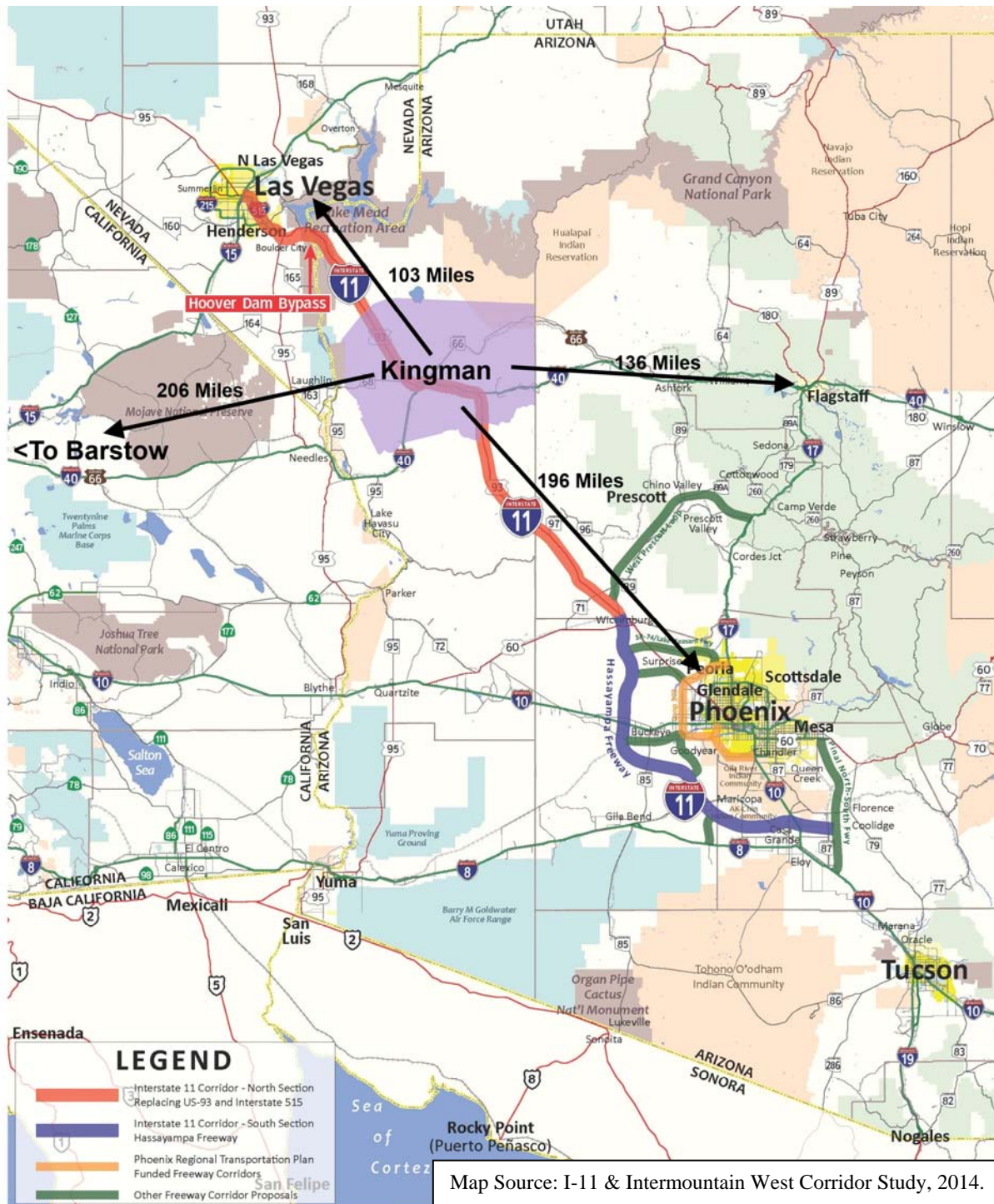
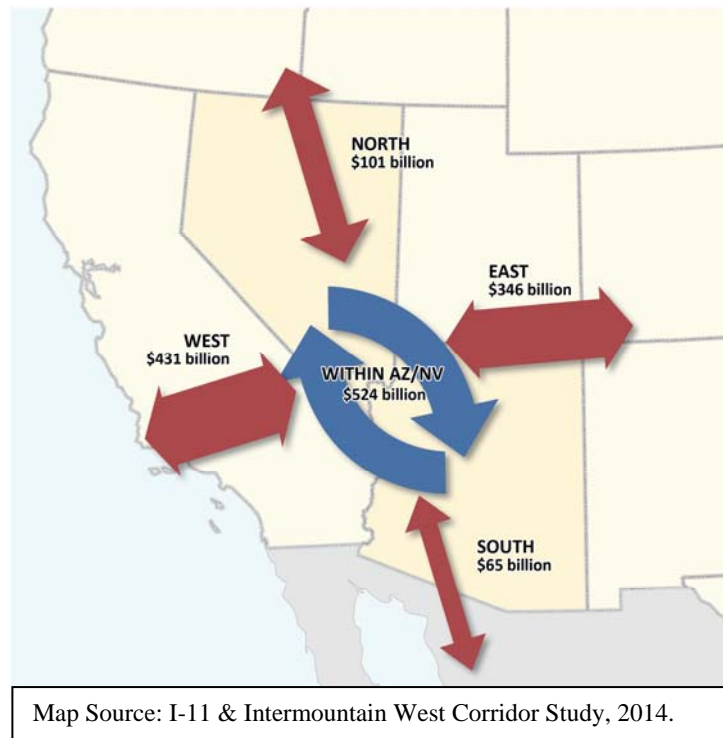


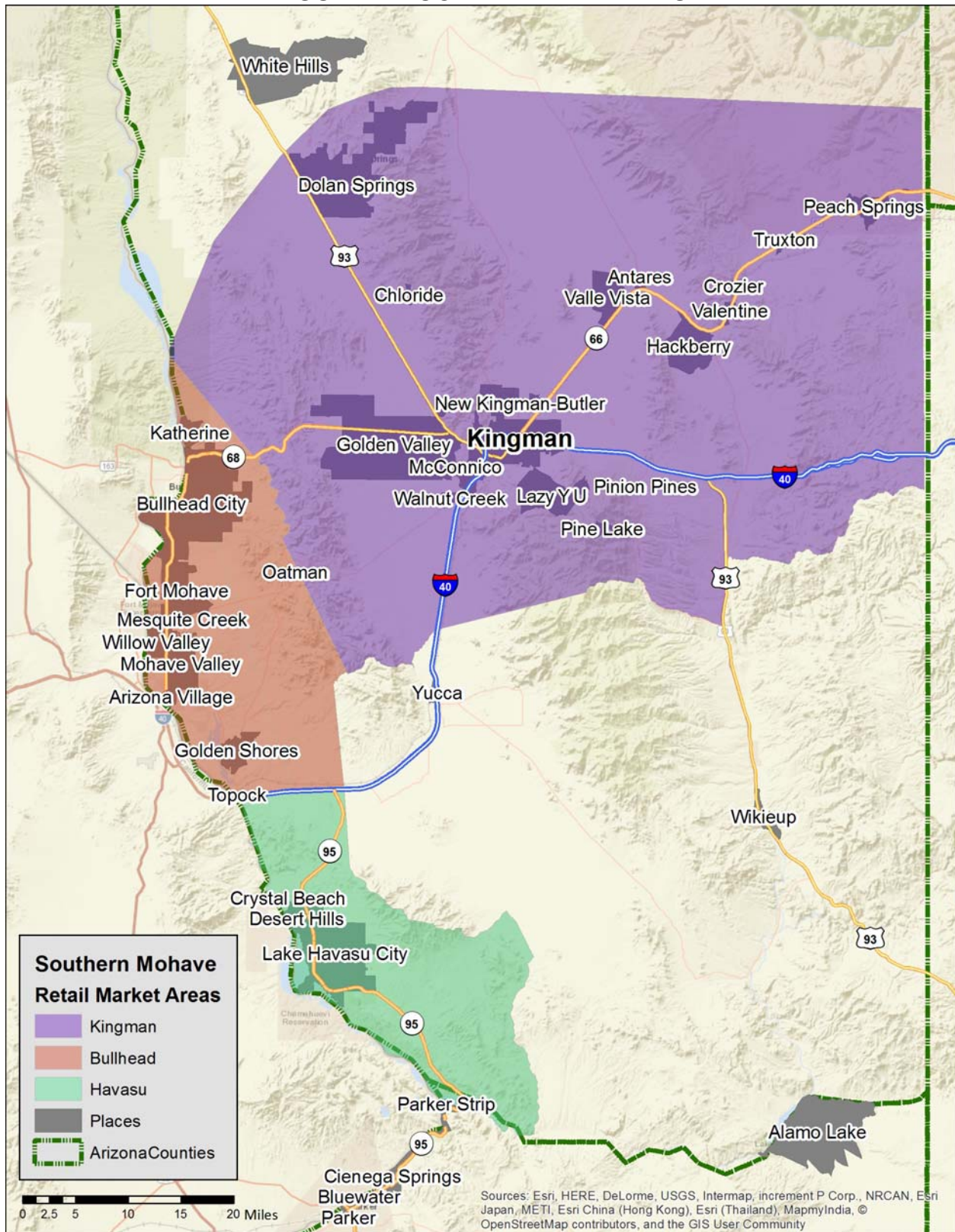
FIGURE 3: CUMULATIVE FREIGHT PROJECTIONS FOR NEVADA AND ARIZONA: 2040



The local market area for Kingman is defined to include Kingman and the communities immediately surrounding it, as shown in **Figure 4**. The somewhat complex market dynamics in southern Mohave County required defining separate market areas for Bullhead City and Lake Havasu City. This allowed for an analysis of how consumer demand and retail sales are distributed within the larger southern Mohave County area.

The center of the Kingman market area includes Kingman and New Kingman-Butler. The market area extends outward to include communities along Highway 66, Highway 68, and U.S. Highway 93. The area excludes the Bullhead City and Lake Havasu City areas that each have nearly the same population as the Kingman market area. While these areas are nearly the same size, the retail sales data reflects major differences between the areas, with Kingman clearly being the most oriented around regional transportation access.

FIGURE 4: LOCAL MARKET AREAS



2.0 MARKET AREA PROFILE

In order to better understand the market area and its potential for future retail and entertainment development, it is important to understand the characteristics of the people who live and work there. These residents and local businesses will create part of the demand for new development, which will be supplemented by increased visitor traffic described later in this chapter.

2.1 POPULATION AND INCOME

Table 1 shows current and projected demographic characteristics for the residents of the Kingman market area and Mohave County. The market area has a current population of nearly 73,000 people, or about 35 percent of the county. It is projected to grow to almost 105,000 by 2035, resulting in an increase of 44 percent over the next 18 years. In comparison, the county is expected to grow by about 26 percent during this period.

On average, the population in the market area is slightly younger than the county; however about a quarter of the population is 65 or older and this share of the population is expected to increase over time. The average adult householder in the market area is about 61 years old, which is similar to the county as a whole.

Neither the county nor the market area is racially diverse. In both cases, the population is predominately white, with Hispanics representing the largest minority group. The Hispanic population is expected to increase slightly as a share of total population by 2035.

Average household income in the market area is estimated at \$51,136 in 2017, which is about 8 percent lower than the county average of \$55,202. There is a significant difference between median income and average income in Mohave County and in the market area. Within the market area, about half of households have incomes of \$35,000 or less, and an additional 15 percent have incomes between \$35,000 and \$50,000. However, it is important to keep in mind that these figures include many retired households that rely on a combination of income and savings, which is not reflected in the household income figures. About 9 percent of residents have incomes of \$100,000 or more.

In terms of income growth, average household income in the market area is expected to increase by 18 percent by 2035, compared to only 13 percent growth in the county as a whole. Aggregate income, which reflects a combination of population growth and increases in household income, is projected to grow by 70 percent in the market area. Aggregate income growth is the primary indicator of new retail demand from residents.

TABLE 1: DEMOGRAPHIC CHARACTERISTICS AND TRENDS

Description	Mohave County, AZ				Kingman Market Area			
	2010	2017	2025	2035	2010	2017	2025	2035
Population	200,186	211,221	235,747	265,716	67,956	72,955	91,353	104,988
Under 18	20.61%	18.12%	16.89%	17.03%	20.39%	17.75%	16.69%	16.36%
Age 18 and over	79.39%	81.88%	83.11%	82.97%	79.61%	82.25%	83.31%	83.64%
Age 21 and over	76.24%	78.85%	79.94%	80.23%	76.41%	79.09%	79.99%	80.17%
Age 65 and over	23.31%	28.09%	32.20%	34.71%	21.06%	25.45%	29.32%	32.19%
Median Age	47.4	49.5	50.2	51.5	46.3	47.8	48.2	49.1
Race by Hispanic/Latino	200,186	211,221	235,747	265,716	67,956	72,955	91,353	104,988
White	79.61%	76.83%	74.77%	72.94%	80.62%	77.38%	75.19%	73.47%
Hispanic or Latino	14.77%	16.47%	17.73%	18.61%	11.92%	13.92%	15.22%	16.74%
Other	5.61%	6.70%	7.50%	8.45%	7.47%	8.70%	9.59%	9.79%
Households by Age of Householder	82,539	87,021	97,628	110,038	27,483	28,846	36,266	41,680
Householder Under 45 Years	24.07%	22.91%	23.10%	23.34%	24.71%	23.60%	23.72%	23.95%
Householder 45 to 64 Years	39.50%	34.51%	31.03%	30.79%	41.27%	36.32%	32.99%	32.27%
Householder 65 Years and over	36.43%	42.58%	45.86%	45.88%	34.02%	40.09%	43.33%	43.33%
Median Age of Householder	58.7	61.4	62.9	61.9	57.8	60.5	61.8	60.9
Households by Household Income*	82,539	87,021	97,628	110,038	27,483	28,846	36,266	41,680
Income Less than \$30,000	34.45%	30.04%	27.85%	26.22%	36.27%	34.79%	32.69%	30.06%
Income \$30,000 - \$59,999	34.06%	32.41%	31.69%	31.16%	31.91%	29.38%	29.04%	28.63%
Income \$60,000 - \$119,999	24.19%	27.38%	28.22%	28.85%	24.67%	26.98%	27.91%	29.07%
Income \$120,000 or more	7.29%	10.18%	12.23%	13.77%	7.15%	8.85%	10.36%	12.25%
Average Household Income	\$47,546	\$55,202	\$59,142	\$62,166	\$44,648	\$51,136	\$56,152	\$60,209
Median Household Income	\$38,530	\$41,879	\$44,603	\$46,415	\$36,656	\$39,620	\$41,409	\$43,957
Aggregate Income (Millions)	\$3,924.4	\$4,803.7	\$5,773.9	\$6,840.7	\$1,227.1	\$1,475.1	\$2,036.5	\$2,509.5

Sources:

 CLARITAS Pop-Facts Demographics, 2017.

Arizona DOA, Sub-County Population Projections.

Applied Economics, 2017.

* In constant 2017 dollars.

2.2 EMPLOYMENT

Future retail potential is also driven by demand from businesses and the general robustness of the economy. Currently, there are about 25,000 people and just over 2,900 businesses in the market area (**Table 2**). This represents 32 percent of the establishments countywide and 37 percent of the employment base. Total business sales in the Kingman market area are estimated at \$4.75 billion per year, or about 39 percent of the county total.

The largest industry sectors in terms of employment in both the Kingman market area and Mohave County include retail and healthcare, each of which employs 4,000 to 5,000 people in the market area. Given the accessibility to I-40 and Highway 93, Kingman has a larger share of employment in transportation and warehousing compared to the county; as well as in wholesale trade. As the county seat Kingman also has a larger share of employment in public administration. The market area has a lower concentration of information, management and administrative services than the county as a whole.

TABLE 2: BUSINESS FACTS SUMMARY

NAICS	Description	Mohave County			Kingman Market Area			Kingman Market Area Share		
		Busines ses	Employee es	Sales (in Millions)	Busines ses	Employee es	Sales (in Millions)	Busines ses	Employee es	Sales (in Millions)
11	Agriculture, Forestry, Fishing and Hunting	26	185	11.7	16	51	3.5	62%	28%	30%
21	Mining, Quarrying, and Oil and Gas Extraction	4	19	9.0	0	0	0.0	0%	0%	0%
22	Utilities	36	286	131.5	16	110	49.5	16	110	49.5
23	Construction	734	3,638	634.6	179	969	178.2	24%	27%	28%
31-33	Manufacturing	224	2,248	546.3	66	791	258.4	29%	35%	47%
42	Wholesale Trade	218	2,118	2,348.3	68	1,050	1,109.8	31%	50%	47%
44-45	Retail Trade	1,131	11,745	3,870.8	379	3,975	1,476.3	34%	34%	38%
441	Motor Vehicle and Parts Dealers	216	1,799	817.7	64	633	248.5	30%	35%	30%
442	Furniture and Home Furnishing Stores	74	383	64.9	17	45	8.8	23%	12%	14%
443	Electronics and Appliance Stores	47	177	27.7	13	40	5.8	28%	23%	21%
444	Building Materials	119	1,485	176.2	36	352	43.6	30%	24%	25%
445	Food and Beverage Stores	92	1,974	557.9	35	863	252.8	38%	44%	45%
446	Health and Personal Care Stores	79	741	186.8	26	167	32.8	33%	23%	18%
447	Gasoline Stations	69	645	708.6	37	426	468.3	54%	66%	66%
448	Clothing and Accessories Stores	75	216	26.3	22	62	7.8	29%	29%	30%
451	Sporting Goods, Hobby, Misc. Retail	84	349	107.1	26	122	39.5	31%	35%	37%
452	General Merchandise Stores	70	3,113	964.9	26	978	303.0	37%	31%	31%
453	Miscellaneous Store Retailers	181	792	215.5	68	253	56.9	38%	32%	26%
454	Nonstore Retailers	25	71	17.2	9	34	8.6	36%	48%	50%
48-49	Transportation and Warehousing	192	1,734	253.7	80	947	116.2	42%	55%	46%
51	Information	147	1,560	330.0	41	336	78.6	28%	22%	24%
52	Finance and Insurance	576	1,464	365.1	187	446	135.0	32%	30%	37%
53	Real Estate and Rental and Leasing	1,232	4,142	472.4	264	1,215	191.7	21%	29%	41%
54	Professional, Scientific, and Technical Services	553	2,304	215.4	186	826	75.2	34%	36%	35%
55	Management of Companies and Enterprises	8	73	13.8	2	8	3.9	25%	11%	29%
56	Administrative and Support Services	327	1,854	152.8	92	490	45.9	28%	26%	30%
61	Educational Services	142	4,095	7.7	53	1,447	1.8	37%	35%	24%
62	Healthcare and Social Assistance	1,648	11,603	2,210.4	606	4,858	820.8	37%	42%	37%
71	Arts, Entertainment, and Recreation	169	1,396	220.2	43	466	47.0	25%	33%	21%
711	Performing Arts, Spectator Sports, and Related Industries	20	59	3.8	7	21	1.1	35%	36%	28%
712	Museums, Historical Sites, and Similar Institutions	25	270	1.4	11	129	0.7	44%	48%	51%
713	Amusement, Gambling, and Recreation Industries	124	1,067	215.6	25	316	45.2	20%	30%	21%
72	Accommodation and Food Services	473	7,296	336.1	157	2,452	109.3	33%	34%	33%
721	Accommodation	132	1,896	112.1	54	496	29.6	41%	26%	26%
722	Food Services and Drinking Places	341	5,400	224.0	103	1,956	79.7	30%	36%	36%
81	Other Services (except Public Administration)	935	4,001	205.6	278	1,129	54.3	30%	28%	26%
92	Public Administration	405	7,065	0.0	214	3,576	0.0	53%	51%	NA
TOTAL		9,180	68,826	12,335.2	2,927	25,142	4,755.3	32%	37%	39%

Source:  CLARITAS

Business-Facts Summary

Claritas Business-Facts 2016.11

Copyright © 2017 Claritas, LLC. All rights reserved.

2.3 VISITORS

In addition to residents and businesses, one of the key drivers of future retail and entertainment demand is visitors. Northern Arizona University conducted a detailed tourism study in 2011 for the Kingman Area and Grand Canyon West/Hualapai. It was based on survey data collected in 2010. The general profile of visitors to Kingman includes Baby-Boomer aged adults in family groups who are passing through the area. Only 20 percent of visitors identified Kingman as their primary destination. Of those pass-through visitors, about 46 percent were heading to destinations in California, 30 percent were going to other Arizona locations, and the remainder were headed to other

states. About 24 percent of pass-through visitors were driving historic Route 66. Visitors to the region largely originate from California or other parts of Arizona.

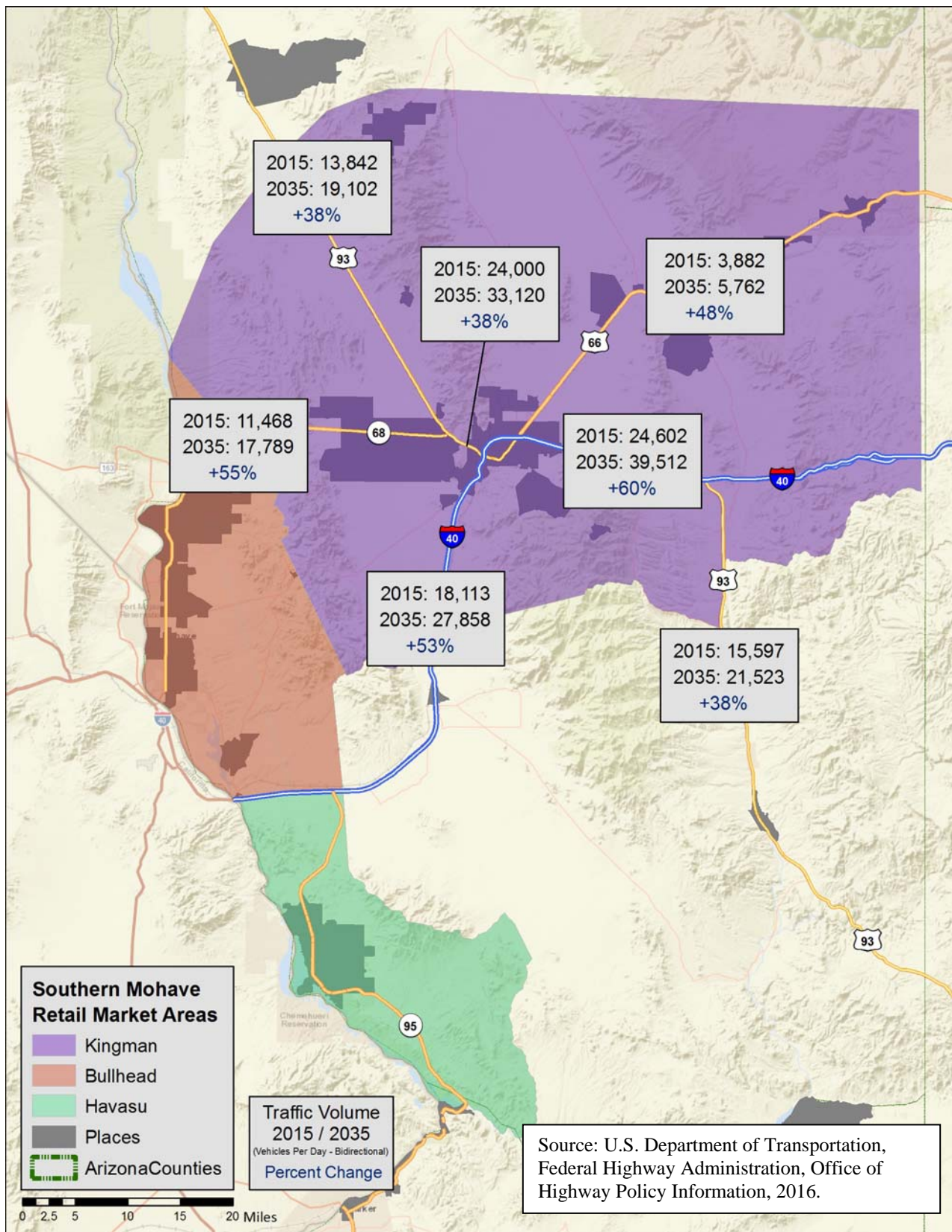
About 65 percent of all visitors to Kingman stayed overnight in hotels/motels or RV parks, even if it was not their primary destination. The remaining 35 percent were day-trip visitors or were just passing through. Only about two-thirds of the visitors that stayed overnight stayed in a hotel or motel, with other overnight visitors staying in RV parks, campgrounds or with friends and family. Average daily expenditures for Kingman visitors depended on the type of lodging and purpose of the trip, ranging from \$88 per party per day for day-trip visitors to \$191 for people driving Route 66. For all visitor types combined, annual visitor spending in Kingman in 2010 was estimated at \$164.6 million.

In looking at Kingman Crossing, it is important not only to understand the characteristics of current visitors to the region, but also projected growth in visitor volumes. Traffic counts on highways and interstates through the area are a good indicator of growth in visitor volumes. Data from the Arizona Department of Transportation (ADOT) indicates there are currently about 24,600 vehicles per day on I-40 on the east side of Kingman, which at that point includes through traffic on I-40 and travelers on U.S. Highway 93 to and from metro Phoenix (**Figure 5**). About 18,000 vehicles per day are present on I-40 on the west side of Kingman. The next largest traffic volumes currently are on U.S. Highway 93, between I-40 and State Highway 68, with 24,000 vehicles per day. Just beyond this segment, the traffic splits with about 13,800 vehicles continuing on U.S. Highway 93 to and from Las Vegas and about 11,400 vehicles heading to and from Bullhead City on State Highway 68.

The Federal Highway Administration provides projections of future traffic volumes for 2035 based on projected population growth, land use changes and traffic volumes on adjacent highway routes. According to their projections, the most significant increases in traffic volume within the Kingman market area will be on the segment of I-40 just east of Kingman, which includes the Kingman Crossing site, with over 14,900 additional vehicles per day by 2035; this represents a 60 percent increase over current volume and includes increases in both local traffic and pass-through traffic. The segment of U.S. Highway 93 between I-40 and State Highway 68, as well as I-40 west of Kingman, are each expected to add 9,000 to 10,000 vehicles per day by 2035, reflecting increases of 38 to 53 percent.

These increases in traffic volume in and out of Kingman near the Kingman Crossing site will boost demand for retail, restaurant and entertainment and are incorporated in the market area demand projections described in Section 3.

FIGURE 5: CURRENT AND PROJECTED TRAFFIC COUNTS



3.0 RETAIL MARKET CONDITIONS

In order to project future sales and development potential, it is important to understand the size and components of supply and demand. For this analysis it is also necessary to adjust supply and demand to provide a realistic assessment of the market potential. Supply must be adjusted to separate sales made by local residents from visitors, and resident demand must be adjusted to account for non-store purchases. Based on those adjustments, estimates of current sales opportunities can be created. Growth in the market area is then added to the current opportunities to project future demand.

3.1 CURRENT SUPPLY AND DEMAND

As a starting point, **Table 3** shows current supply and demand within the Kingman market area and in the county as a whole. Demand data by type of good or service represents consumer expenditures, whereas supply data represents retail sales. Within the Kingman market area, demand exceeds supply in most categories. These gaps represent categories where local consumers are making purchases outside the market area, which could include on-line purchases and on-site purchases in areas like Las Vegas or Phoenix.

**TABLE 3: CONSUMER EXPENDITURES AND SALES
RETAIL SALES, EATING/DRINKING PLACES, LODGING & ENTERTAINMENT**

Merchandise Lines	Mohave County, AZ			Kingman Market Area		
	2017 Demand (Consumer Expenditures)	2017 Supply (Retail Sales)	Opportunity Gap/(Surplus)	2017 Demand (Consumer Expenditures)	2017 Supply (Retail Sales)	Opportunity Gap/(Surplus)
RETAIL SALES (Except Automotive)						
Eating And Drinking	\$216,526,085	\$224,513,107	(\$7,987,022)	\$99,931,260	\$105,445,453	(\$5,514,193)
Food At Home	\$594,031,169	\$572,644,940	\$21,386,229	\$170,524,137	\$158,674,362	\$11,849,775
Drugs & Health Aids	\$110,636,570	\$79,050,000	\$31,586,570	\$38,146,971	\$28,293,757	\$9,853,215
Clothing	\$187,356,257	\$106,783,120	\$80,573,137	\$53,410,985	\$23,398,026	\$30,012,958
Home Furnishings	\$193,834,026	\$134,335,576	\$59,498,450	\$55,257,648	\$21,525,191	\$33,732,457
Computers And Electronics	\$138,904,799	\$53,532,255	\$85,372,544	\$39,598,582	\$7,899,494	\$31,699,088
Building Materials	\$172,284,694	\$116,226,476	\$56,058,218	\$49,114,427	\$23,995,153	\$25,119,274
Miscellaneous Retail	\$161,480,424	\$176,021,942	(\$14,541,519)	\$44,367,337	\$42,433,903	\$1,933,433
All Other Merchandise	\$117,048,143	\$97,454,154	\$19,593,989	\$33,367,749	\$23,274,058	\$10,093,692
TOTAL	\$1,892,102,166	\$1,560,561,570	\$331,540,596	\$583,719,096	\$434,939,398	\$148,779,699
HOTEL / LODGING	\$0	\$112,109,000	\$0	\$0	\$58,842,173	\$0
ENTERTAINMENT	\$81,531,078	\$176,136,800	(\$94,605,722)	\$23,242,646	\$30,928,361	(\$7,685,715)
AUTOMOTIVE						
Vehicles	\$483,485,465	\$728,098,753	(\$244,613,288)	\$137,830,650	\$192,386,277	(\$54,555,627)
Fuel / Lubricants	\$338,676,662	\$551,834,195	(\$213,157,533)	\$96,548,972	\$328,718,675	(\$232,169,703)
TOTAL	\$2,795,795,371	\$3,128,740,319	(\$220,835,947)	\$841,341,365	\$1,045,814,884	(\$145,631,346)

Sources:

Claritas Market Analysis System, Retail Market Power Report, 2017.
Arizona Department of Revenue, 2017.
Applied Economics, 2017.

In contrast, there are only three categories where retail sales exceed local demand. These additional sales represent sales to visitors and other non-local consumers. The most significant category is fuel, where sales exceed local demand by 240 percent, followed by vehicles, where sales exceed local demand by 40 percent. Given the number of truck stops and the volume of interstate through traffic in Kingman, this is not surprising. There is also a small surplus of sales in the eating and drinking (restaurant) category. Note that there are no consumer expenditures in the hotel category because all of this demand is assumed to come from visitors, whose spending is reflected in taxable retail sales (supply) in this table but not the demand category, which includes residents only.

In total, consumer expenditures in the Kingman market area are estimated at \$841.3 million, compared to retail sales of \$1.05 billion for 2017, with the vast majority of the difference between supply and demand coming from fuel and vehicle sales.

3.2 DEMAND AND SALES ADJUSTMENTS

The next step in evaluating the potential for additional development is to adjust resident consumer expenditures for non-store or on-line purchases. According to the U.S. Department of Commerce, consumers made about 8.75 percent of their total retail purchases in 2016 from non-store retailers, including web sites and catalogs. These purchases were concentrated in particular categories such as computers and electronics, home furnishings and clothing, where 17 percent to 28 percent of purchases were not from stores. In the Kingman market area, estimated sales from non-store sources total \$54.9 million in 2017, resulting in an adjusted demand figure of \$786.5 million as shown in **Table 4**. This adjusted demand figure represents the amount of current demand that could be met by local establishments.

**TABLE 4: ADJUSTED CONSUMER EXPENDITURES
KINGMAN MARKET AREA**

Merchandise Lines	2017 Demand (Consumer Expenditures)	Share Non- Store Retailers*	Non-Store Retailers	2017 Demand (Store Expenditures)
RETAIL SALES (Except Automotive)				
Eating And Drinking	\$99,931,260	0.00%	\$0	\$99,931,260
Food At Home	\$170,524,137	2.18%	\$3,714,037	\$166,810,100
Drugs & Health Aids	\$38,146,971	4.96%	\$1,891,191	\$36,255,781
Clothing	\$53,410,985	16.75%	\$8,946,389	\$44,464,596
Home Furnishings	\$55,257,648	19.58%	\$10,820,846	\$44,436,802
Computers And Electronics	\$39,598,582	27.74%	\$10,985,193	\$28,613,388
Building Materials	\$49,114,427	3.78%	\$1,855,037	\$47,259,390
Miscellaneous Retail	\$44,367,337	9.79%	\$4,345,493	\$40,021,844
All Other Merchandise	\$33,367,749	25.49%	\$8,504,189	\$24,863,560
TOTAL	\$583,719,096	8.75%	\$51,062,375	\$532,656,721
HOTEL / LODGING	\$0	0.00%	\$0	\$0
ENTERTAINMENT	\$23,242,646	0.00%	\$0	\$23,242,646
AUTOMOTIVE				
Vehicles	\$137,830,650	2.77%	\$3,816,722	\$134,013,929
Fuel / Lubricants	\$96,548,972	0.00%	\$0	\$96,548,972
TOTAL	\$841,341,365	6.52%	\$54,879,096	\$786,462,268

Sources:

Claritas Market Analysis System, Retail Market Power Report, 2017.

U.S. Department of Commerce, Annual Retail Trade Survey, 2016.

Applied Economics, 2017.

* Includes both e-commerce and catalog/showroom purchases

The next adjustment required is to split supply, or taxable sales, into sales to residents versus sales to visitors, because these components will grow at different rates. Out of total annual sales of \$1.05 billion in the Kingman market area in 2017, 57 percent (\$595.0 million) are estimated as sales to residents (**Table 5**). The remaining \$450.8 million (43 percent) represent sales to visitors. Note that this percentage of overall sales to visitors is largely influenced by fuel sales to visitors.

The largest category of taxable sales in the Kingman market area is fuel sales, which make up 31 percent of total taxable sales. Based on the amount of fuel sales in excess of what the local market would demand, this analysis assumes that 72 percent of fuel sales are to visitors and other non-local customers. There is also a surplus of vehicle sales, which are assumed to be 34 percent to non-residents.

For most other retail categories, excluding restaurants, sales to residents account for 80 to 90 percent of total sales. Restaurants, which serve both residents and visitors, are assumed to draw two-thirds of their sales from residents, based on resident demand and estimated visitor spending by type. Entertainment establishments also serve both

visitors and residents, although given the nature of the existing entertainment venues in the market area it is assumed that 56 percent of sales are to residents. Hotel and lodging sales are attributed exclusively to visitors.

**TABLE 5: RETAIL SALES TO RESIDENTS AND VISITORS
KINGMAN MARKET AREA**

Merchandise Lines	2017 Supply (Retail Sales)	Share Local	Sales to Residents	Sales to Visitors
RETAIL SALES (Except Automotive)				
Eating And Drinking	\$105,445,453	66%	\$69,542,955	\$35,902,499
Food At Home	\$158,674,362	89%	\$141,956,916	\$16,717,446
Drugs & Health Aids	\$28,293,757	87%	\$24,631,455	\$3,662,301
Clothing	\$23,398,026	87%	\$20,369,421	\$3,028,605
Home Furnishings	\$21,525,191	87%	\$18,739,003	\$2,786,188
Computers And Electronics	\$7,899,494	87%	\$6,876,996	\$1,022,499
Building Materials	\$23,995,153	87%	\$20,889,257	\$3,105,896
Miscellaneous Retail	\$42,433,903	79%	\$33,499,749	\$8,934,155
All Other Merchandise	\$23,274,058	90%	\$20,946,652	\$2,327,406
TOTAL	\$434,939,398	82%	\$357,452,403	\$77,486,995
HOTEL / LODGING	\$58,842,173	0%	\$0	\$58,842,173
ENTERTAINMENT	\$30,928,361	56%	\$17,431,984	\$13,496,377
AUTOMOTIVE				
Vehicles	\$192,386,277	66%	\$127,508,927	\$64,877,351
Fuel / Lubricants	\$328,718,675	28%	\$92,583,776	\$236,134,900
TOTAL	\$1,045,814,884	57%	\$594,977,089	\$450,837,795

Sources:

Claritas Market Analysis System, Retail Market Power Report, 2017.

Arizona Department of Revenue, 2017.

Applied Economics, 2017.

Table 6 brings together adjusted resident demand from Table 4 and sales to residents from Table 5. The purpose is to identify market gaps from residents. In general, about 25 percent of resident spending is “leaking” out of the local market. Within the various retail categories, the gaps are fairly low for items typically purchased close to home, such as groceries (food at home) and miscellaneous retail at 15 percent to 16 percent. However, the gaps are much higher for computers and electronics (76 percent), building materials (56 percent) and clothing (54 percent), where there is a limited variety of stores and a limited selection of products in the Kingman market area. For restaurants and entertainment, the gaps range from 25 to 30 percent.

**TABLE 6: ADJUSTED CURRENT MARKET GAP
KINGMAN MARKET AREA**

Merchandise Lines	Adjusted Demand	Adjusted Sales	Adjusted Current Gap/(Surplus)	
RETAIL SALES (Except Automotive)				
Eating And Drinking	\$99,931,260	\$69,542,955	\$30,388,306	30%
Food At Home	\$166,810,100	\$141,956,916	\$24,853,184	15%
Drugs & Health Aids	\$36,255,781	\$24,631,455	\$11,624,325	32%
Clothing	\$44,464,596	\$20,369,421	\$24,095,175	54%
Home Furnishings	\$44,436,802	\$18,739,003	\$25,697,800	58%
Computers And Electronics	\$28,613,388	\$6,876,996	\$21,736,393	76%
Building Materials	\$47,259,390	\$20,889,257	\$26,370,133	56%
Miscellaneous Retail	\$40,021,844	\$33,499,749	\$6,522,095	16%
All Other Merchandise	\$24,863,560	\$20,946,652	\$3,916,908	16%
TOTAL	\$532,656,721	\$357,452,403	\$175,204,319	33%
HOTEL / LODGING *	\$8,826,326	\$0	\$8,826,326	15%
ENTERTAINMENT	\$23,242,646	\$17,431,984	\$5,810,661	25%
AUTOMOTIVE				
Automotive (Ex. Fuel / Lubricants)	\$134,013,929	\$127,508,927	\$6,505,002	5%
Automotive (Fuel / Lubricants)	\$96,548,972	\$92,583,776	\$3,965,197	4%
TOTAL	\$795,288,594	\$594,977,089	\$200,311,505	25%

Source: Applied Economics, 2017

* Estimated leakages from current visitors / through traffic.

3.3 MARKET AREA OPPORTUNITIES AND GROWTH

In order to understand the market conditions that will impact future development in the Kingman market area, it is necessary to project supply and demand growth. This analysis provides short-term growth projections from 2017 to 2025 and long-term growth projections from 2025 to 2035. Both a baseline growth scenario and an optimistic growth scenario are presented. Note that these growth rates are applied to the current market gaps, not to total demand. The increases in market gaps are based on projected population growth and projected increases in visitor/traffic volumes. The baseline scenario relies on the most recent Arizona sub-county projections for Mohave County from the Arizona Office of Economic Opportunity issued in August 2016. The optimistic scenario relies on the high series from the 2015 to 2050 county projections issued by the Arizona Office of Economic Opportunity. Visitor demand is assumed to be 15 percent greater in the optimistic scenario based on higher statewide and regional population and employment.

In the baseline growth scenario, the current market gap in the Kingman market area of \$200.3 million is expected to increase by 141 percent in the short term (2017 to 2025) to \$482.9 million, and then by an additional 65 percent from 2025 to 2035 to \$796.8 million (**Table 7**). Note that this is the percentage increase in the gap, not the percentage increase in total demand, which would be 36 percent from 2017 to 2025 and 29 percent for 2025 to 2035.

**TABLE 7: SALES AND DEVELOPMENT POTENTIAL – BASELINE GROWTH
KINGMAN MARKET AREA**

Merchandise Lines	Sales			Sales Rate*	Total Square Feet **			
	Adjusted Current Gap/(Surplus)	Total Growth: 2017-2025	Total Growth: 2025-2035		Current	2017-2025	2025-2035	Current-2035
RETAIL SALES (Except Automotive)								
Eating And Drinking	\$30,388,306	\$32,603,189	\$33,569,949	\$500	67,530	72,452	74,600	214,581
Food At Home	\$24,853,184	\$35,175,995	\$39,469,324	\$500	55,229	78,169	87,710	221,108
Drugs & Health Aids	\$11,624,325	\$8,118,054	\$8,711,570	\$450	28,702	20,045	21,510	70,257
Clothing	\$24,095,175	\$9,376,365	\$10,142,190	\$250	107,090	41,673	45,076	193,839
Home Furnishings	\$25,697,800	\$9,275,187	\$10,046,769	\$200	142,766	51,529	55,815	250,110
Computers And Electronics	\$21,736,393	\$5,666,641	\$6,183,477	\$400	60,379	15,741	17,176	93,296
Building Materials	\$26,370,133	\$9,526,653	\$10,633,220	\$350	83,715	30,243	33,756	147,714
Miscellaneous Retail	\$6,522,095	\$10,899,742	\$9,993,219	\$250	28,987	48,443	44,414	121,845
All Other Merchandise	\$3,916,908	\$5,494,244	\$5,532,248	\$300	14,507	20,349	20,490	55,346
TOTAL	\$175,204,319	\$126,136,071	\$134,281,966		588,904	378,643	400,548	1,368,095
HOTEL / LODGING	\$8,826,326	\$23,318,581	\$21,792,955	***	403	1,065	995	2,463
ENTERTAINMENT	\$5,810,661	\$9,622,345	\$9,713,779	\$250	25,825	42,766	43,172	111,763
AUTOMOTIVE								
Automotive (Ex. Fuel / Lubricants)	\$6,505,002	\$42,117,531	\$49,031,110	****	0.7	4.8	5.6	11.2
Automotive (Fuel / Lubricants)	\$3,965,197	\$81,357,510	\$99,091,919	*****	0.7	4.6	5.4	10.7
TOTAL	\$200,311,505	\$282,552,037	\$313,911,729		614,729	421,409	443,720	1,479,858

Source: Applied Economics, 2017

* Dollars per occupied square foot unless otherwise noted.

** Based on shown sales rates and an occupancy rate of 90% for new development.

*** Rooms based on \$100/room night, 60% Occupancy Rate.

**** Net acres of sales lots based on sales rate of \$200 / square foot of land.

***** Net acres based on 10,000 gals per day per acre.

The largest increases are in the vehicle and fuel sales categories; although the gap is currently small, it is expected to increase by \$123.5 million in the short-term and by an additional \$148.1 million in the long-term. This would translate into demand for 21.9 net acres of additional auto dealers and gas stations.

The gap for all other categories of retail establishments is projected to increase by \$126.1 million over the next eight years and by an additional \$134.3 million over the following ten years. This would result in demand for an additional 1.4 million square feet of retail stores (excluding the automotive categories) in the Kingman market area. The specific types of retail with the greatest increase in terms of magnitude will be restaurants and food at home, where that gap increases by \$33 million to \$35 million in each category over the next eight years and by another \$34 million to \$39 million over the following ten years. These increases are driven by both local population growth and increased visitor demand.

The gap in hotel demand is expected to show a moderate increase of \$23.3 million in the short-term (2017 to 2025) and an additional \$21.8 million from 2025 to 2035 due to increased visitor traffic. This would translate into about 2,500 additional hotel rooms demanded by 2035. The gap in entertainment is only projected to increase by \$9.6 million to \$9.7 million in each time period, which translates into about 112,000 square feet of additional entertainment space in the Kingman market area.

The optimistic scenario shows the current market gap in the Kingman market area increasing by 200 percent in the short-term (2017 to 2025), to \$600.7 million, and then by an additional 56 percent from 2025 to 2035, to \$934.4 million (**Table 8**). The percentage increase in total demand under the optimistic scenario would be 50 percent from 2017 to 2025 and 28 percent from 2025 to 2035.

In the optimistic scenario, the pattern of industries where the increase in the gap is larger is the same as in the baseline scenario, only the magnitude of impacts is greater. For automotive, there is an increase in the gap of \$150.8 million by 2025, and \$152.8 million from 2025 to 2035, creating demand for 26.0 net acres of auto dealers and gas stations in the Kingman market area.

For non-automotive retail, the gap is projected to increase by \$200.2 million in the short-term and by an additional \$145.3 million in the long-term, resulting in demand for an additional 1.6 million square feet in the market area by 2035. The increase in the hotel and lodging categories would generate demand for an estimate 3,100 additional rooms by 2035, and the increase in the entertainment gap could translate into about 141,000 square feet.

**TABLE 8: SALES AND DEVELOPMENT POTENTIAL – OPTIMISTIC GROWTH
KINGMAN MARKET AREA**

Merchandise Lines	Sales			Sales Rate*	Total Square Feet **			
	Adjusted Current Gap/(Surplus)	Total Growth: 2017-2025	Total Growth: 2025-2035		Current	2017-2025	2025-2035	Current-2035
RETAIL SALES (Except Automotive)								
Eating And Drinking	\$30,388,306	\$51,269,804	\$37,410,469	\$500	67,530	113,933	83,134	264,597
Food At Home	\$24,853,184	\$54,924,313	\$42,853,391	\$500	55,229	122,054	95,230	272,513
Drugs & Health Aids	\$11,624,325	\$13,107,618	\$9,632,050	\$450	28,702	32,364	23,783	84,849
Clothing	\$24,095,175	\$15,217,096	\$11,197,197	\$250	107,090	67,632	49,765	224,487
Home Furnishings	\$25,697,800	\$15,066,471	\$11,088,970	\$200	142,766	83,703	61,605	288,074
Computers And Electronics	\$21,736,393	\$9,248,811	\$6,815,596	\$400	60,379	25,691	18,932	105,002
Building Materials	\$26,370,133	\$15,121,599	\$11,591,969	\$350	83,715	48,005	36,800	168,520
Miscellaneous Retail	\$6,522,095	\$17,338,941	\$9,104,048	\$250	28,987	77,062	40,462	146,511
All Other Merchandise	\$3,916,908	\$8,880,937	\$5,593,508	\$300	14,507	32,892	20,717	68,116
TOTAL	\$175,204,319	\$200,175,589	\$145,287,198		588,904	603,336	430,429	1,622,669
HOTEL / LODGING	\$8,826,326	\$34,522,320	\$24,764,721	***	403	1,576	1,131	3,110
ENTERTAINMENT	\$5,810,661	\$14,943,749	\$10,866,922	\$250	25,825	66,417	48,297	140,539
AUTOMOTIVE								
Automotive (Ex. Fuel / Lubricants)	\$6,505,002	\$57,983,174	\$51,749,843	****	0.7	6.7	5.9	13.3
Automotive (Fuel / Lubricants)	\$3,965,197	\$92,787,751	\$101,050,602	*****	0.7	6.4	5.7	12.7
TOTAL	\$200,311,505	\$400,412,584	\$333,719,286		614,729	669,753	478,726	1,763,208

Source: Applied Economics, 2017

* Dollars per occupied square foot unless otherwise noted.

** Based on shown sales rates and an occupancy rate of 90% for new development.

*** Rooms based on \$100/room night, 60% Occupancy Rate.

**** Net acres of sales lots based on sales rate of \$200 / square foot of land.

***** Net acres based on 10,000 gals per day per acre.

4.0 COMPETITIVE ENVIRONMENT

In addition to quantifying the sales and development potential for the Kingman market area, understanding the composition and distribution of the existing retail centers and lodging establishments is critical to assessing the development potential for Kingman Crossing.

4.1 RETAIL SALES

In order to assess the current competition, data for existing retail businesses was obtained from Claritas, a national vendor of demographic, business and market information. The information for each existing business was classified according to the merchandise categories used in this study and assigned to a specific sub-market within the Kingman Market Area. Upon examination of this data, eight sub-market areas were defined within the Kingman market area. **Table 9** shows the total employment in each merchandise category for each sub-market area. The distribution of the businesses is illustrated in **Figure 6**.

TABLE 9: RETAIL EMPLOYMENT BY SUB-MARKET AREA

	Stockton Hill		Route 66		Old Town	Northern Avenue	Golden Valley	At Large	Total	Percent
	North	South	North	South						
Auto/Truck Fuels		16	22	21	64		10	120	253	4.5%
Auto/Truck Parts	46	14		34		2	7	34	137	2.5%
Auto/Truck Sales	236		6	116		16	1	28	403	7.2%
Building Materials	206	5		5	1		6	121	344	6.2%
Clothing	22	3	5					3	33	0.6%
Convenience Stores	37		6		4		19	20	86	1.5%
Department Stores	570	119	100						789	14.1%
Drugs & Health Supplies	37	5	3	41		2	7	20	115	2.1%
Eating & Drinking	909	98	323	158	180	35	34	117	1,854	33.2%
Electronics		3			3			8	14	0.3%
Food Stores	355	85	150	2	8	6	6	19	631	11.3%
General Merchandise	65	45	7	6	9	8	17	19	176	3.2%
Home Furnishings	32	11			2	4		8	57	1.0%
Misc. Retail	126	10		2	38	22	23	155	376	6.7%
Other			7					24	31	0.6%
Other Vehicles	12				5		3	40	60	1.1%
Truck Stops & Plazas			38		24			160	222	4.0%
Total	2,653	414	667	385	338	95	133	896	5,581	100.0%
Percent	47.5%	7.4%	12.0%	6.9%	6.1%	1.7%	2.4%	16.1%	100.0%	

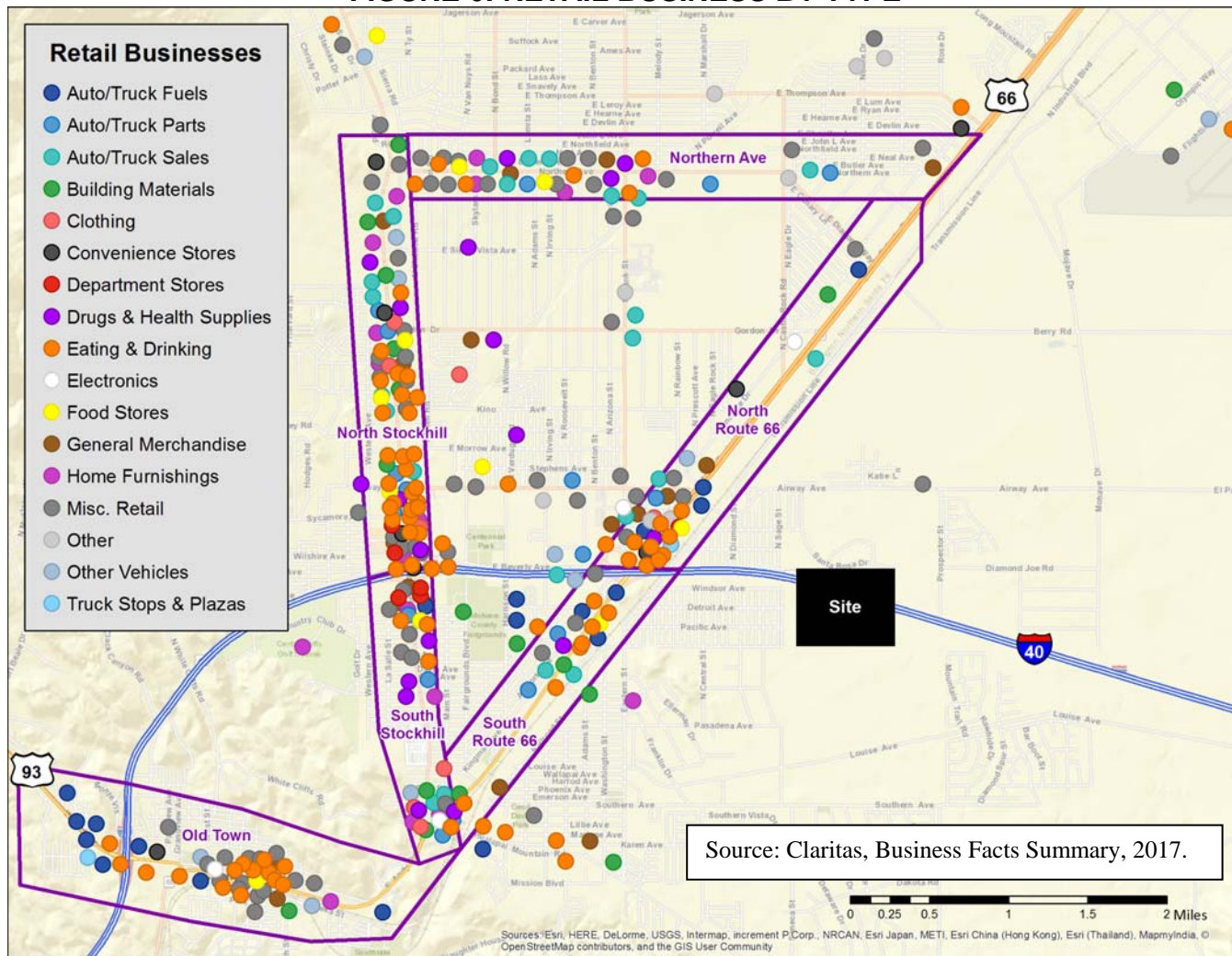
Sources:

 Business-Facts Summary, Copyright © 2017 Claritas, LLC. All rights reserved.

Applied Economics, 2017.

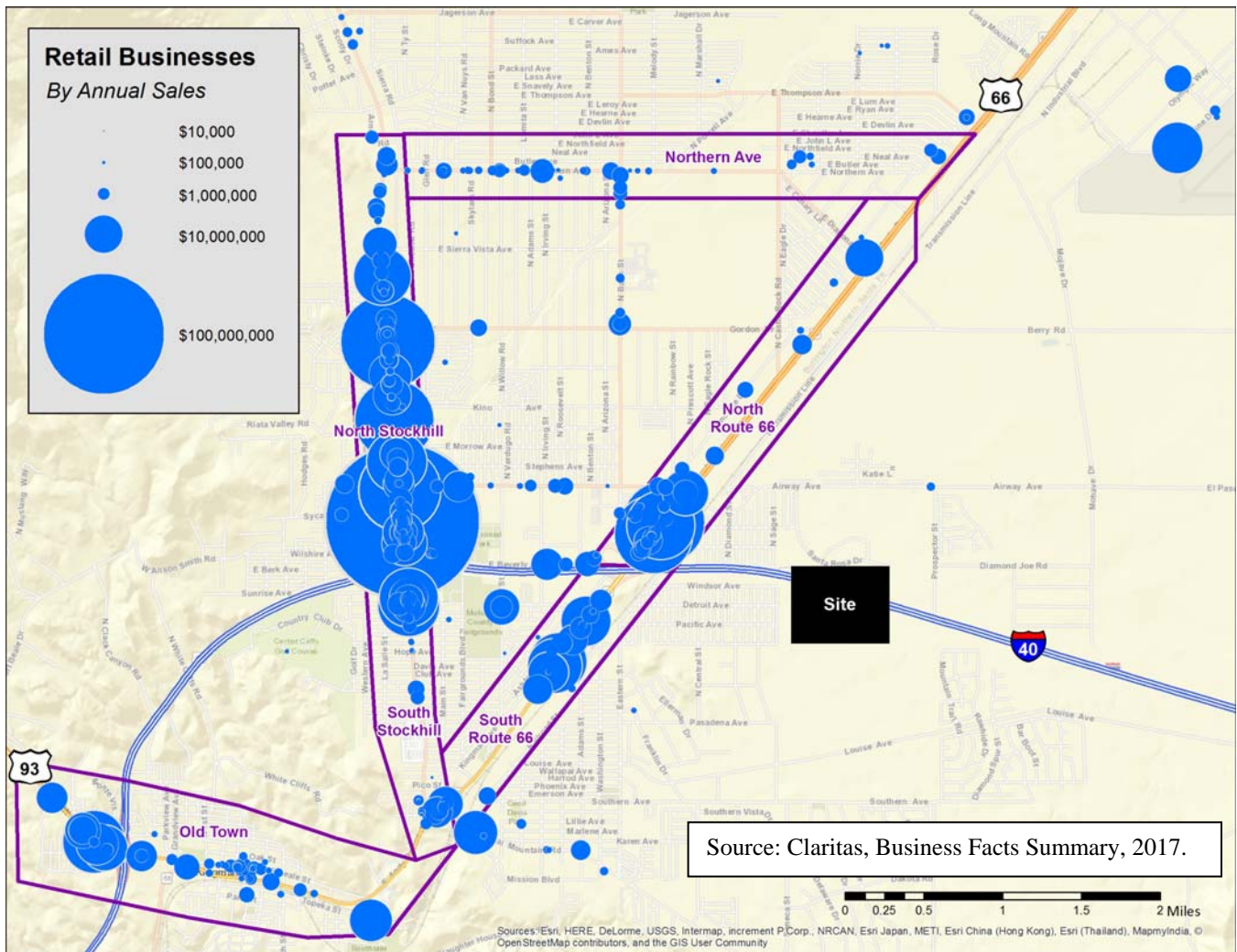
In terms of geography, the data shows that nearly 75 percent of all retail employment is located in the Stockton Hill and Route 66 sub-markets, with the Stockton Hill sub-market comprising more than half of the total. Beyond that, there is a concentration of retail employment in the Old Town area (6.1 percent), but the remainder (16.1 percent) is scattered throughout the market area.

FIGURE 6: RETAIL BUSINESS BY TYPE



The employment statistics are consistent with the retail sales volume distribution map shown in **Figure 7**. The map further illustrates the distribution of existing market area competition, showing a limited number of very large sales generators, and the domination of the North Stockton Hill and North Route 66 sub-market areas.

FIGURE 7: RETAIL SALES VOLUME



In terms of merchandise categories, the largest employment concentration is in eating and drinking places, which comprise nearly one-third of retail employment. Other major categories include department stores (including Wal-Mart), with 14.1 percent of retail employment, and food stores, with 11.3 percent of retail employment. Clothing, electronics, general merchandise and home furnishings outlets are all under-represented in the market area.

In addition to the size and composition of the existing retail market, it is also important to consider the type of retail development in the Kingman market area. As an historic transportation crossroads, the pattern of existing development in the local area follows the major transportation corridors, consisting primarily of mile after mile of strip and neighborhood retail centers. There are only a few major retail centers, and none that provide a significant range of merchandise options. While these centers are sufficient to meet the majority of the day-to-day needs of area residents, they lack the diversity and central mass to capture the full range of consumer demand.

4.2 LODGING

Given the role of Kingman in its regional market area, it is also important to consider the number and quality of existing hotels and motels when assessing the current and future market demand from visitors. The Kingman Market Area includes 33 hotel and motel properties with a total of 2,046 rooms (**Table 10**). There are some additional bed and breakfast properties that are not shown here, but they represent a small number of rooms. The range of hotel and motels in Kingman includes a number of modern, limited-service hotels, but also many other older, lower-rated properties.

TABLE 10: HOTELS AND MOTELS

Name	Address	Rooms	Trip Advisor
Arcadia Lodge	909 E Andy Devine Ave	Est. 45	1.5
Arizona Inn	411 W Beale St	35	3.0
Best Western Kings Inn & Suites	2930 E Andy Devine Ave	100	4.5
Best Western Plus A Wayfarer's Inn and Suites	2815 E Andy Devine Ave	100	4.5
Budget Inn	1239 W Beale St	Est. 15	2.5
Comfort Inn	3129 E Andy Devine Ave	60	3.5
Days Inn Kingman East	3381 E Andy Devine Ave	42	2.5
Days Inn Kingman West	3023 E Andy Devine Ave	60	3.0
Econo Lodge	3421 E Andy Devine Ave	30	3.5
Economy Inn Kingman	1250 W Beale St	18	3.0
El Trovatore Motel	1440 E Andy Devine Ave	46	4.0
First Value Inn	3270 E Andy Devine Ave	78	4.5
Frontier Motel	1250 W Beale St	Est. 30	2.0
Hampton Inn & Suites Kingman	1791 Sycamore Ave	86	4.5
High Desert Inn	2803 E Andy Devine Ave	15	2.5
Hill Top Motel	1901 E Andy Devine Ave	28	3.5
Holiday Inn Express & Suites Kingman	3031 E Andy Devine Ave	75	4.0
Knights Inn Kingman AZ	3261 E Andy Devine Ave	145	3.0
La Quinta Inn & Suites	3419 Hotel Way	95	4.5
Lido Motel	3133 E Andy Devine Ave	40	2.5
Mohave Inn (formerly Rodeway Inn)	3016 E Andy Devine Ave	40	2.0
Motel 6	3351 E Andy Devine Ave	118	2.5
Motel 6	424 W Beale St	80	3.0
Orchard Inn	1967 E Andy Devine Ave	Est. 25	2.5
Quality Inn	1400 E Andy Devine Ave	98	3.0
Ramada Kingman	3100 E Andy Devine Ave	104	4.5
Ramblin Rose Motel	1001 E Andy Devine Ave	36	3.0
Red Roof Inn	3275 E Andy Devine Ave	65	3.5
Route 66 Motel	2939 E Andy Devine Ave	25	3.5
Silver Queen Motel	3285 E Andy Devine Ave	145	3.0
Springhill Suites Kingman Route 66	3101 E Andy Devine Ave	73	4.5
Super 8 Kingman	3401 E Andy Devine Ave	59	2.5
Tri State Inn	1225 W Beale St	35	1.5
Total		2,046	

Sources:

InfoUSA, Custom Business Report, 2017; Trip Advisor, 2017; AAA Guide On-line; Applied Economics, 2017

Most of the existing hotels and motels are located in the Route 66 corridor, as shown in **Figure 8**. The majority are not located close to existing retail shopping opportunities, other than gas stations and fast food restaurants, which severely limits the potential for visitors to make additional retail expenditures during their stay. This is further exacerbated by the lack of specialty retail outlets and entertainment venues in close proximity to the visitor accommodations, which could also increase the sales to visitors.

FIGURE 8: HOTELS AND MOTELS



5.0 KINGMAN CROSSING POTENTIAL

The sales and development potential of Kingman Crossing is based on the combination of current retail gaps and projected growth detailed in Section 3.3, as well as sales capture rates. The potential sales capture rates for Kingman Crossing are different for current leakages than for projected market growth, and also vary by merchandise category, as detailed in **Table 11**. Capture rates were developed based on the type and amount of sales potential, the nature of the existing competitive inventory, and the type of development anticipated at Kingman Crossing.

TABLE 11: KINGMAN CROSSING DEVELOPMENT POTENTIAL – SQUARE FEET

Merchandise Lines	Capture Rate		Baseline Growth Scenario				Optimistic Growth Scenario			
	Current Leakage	Growth	Current	2017-2025	2025-2035	Current-2035	Current	2017-2025	2025-2035	Current-2035
RETAIL SALES (Except Automotive)										
Eating And Drinking	50%	60%	33,765	43,471	44,760	121,996	33,765	68,360	49,881	152,005
Food At Home	50%	60%	27,615	46,901	52,626	127,142	27,615	73,232	57,138	157,985
Drugs & Health Aids	50%	60%	14,351	12,027	12,906	39,284	14,351	19,419	14,270	48,039
Clothing	70%	80%	74,963	33,338	36,061	144,362	74,963	54,105	39,812	168,880
Home Furnishings	70%	80%	99,936	41,223	44,652	185,811	99,936	66,962	49,284	216,182
Computers And Electronics	70%	80%	42,265	12,593	13,741	68,599	42,265	20,553	15,146	77,964
Building Materials	50%	60%	41,857	18,146	20,254	80,257	41,857	28,803	22,080	92,740
Miscellaneous Retail	70%	80%	20,291	38,755	35,531	94,577	20,291	61,650	32,370	114,310
All Other Merchandise	60%	60%	8,704	12,209	12,294	33,208	8,704	19,735	12,430	40,870
RETAIL SALES (Except Automotive)			363,747	258,663	272,825	895,235	363,747	412,819	292,410	1,068,976
HOTEL / LODGING **	70%	70%	282	745	697	1,724	282	1,103	792	2,177
ENTERTAINMENT	70%	80%	18,078	34,213	34,538	86,828	18,078	53,133	38,638	109,849
AUTOMOTIVE										
Automotive (Ex. Fuel / Lubricants) ***	60%	50%	0.4	2.4	2.8	5.7	0.4	3.3	3.0	6.7
Automotive (Fuel / Lubricants) ****	50%	50%	0.4	2.7	3.2	7.4	0.4	3.7	3.3	8.8
TOTAL			381,824	292,876	307,363	982,063	381,824	465,952	331,048	1,178,825

Source: Applied Economics, 2017

* Total supportable square feet in the market area and the shown capture rates unless otherwise noted.

** Hotel/motel rooms based on \$100/room night, 60% Occupancy Rate.

*** Net acres of sales lots based on sales rate of \$200 / square foot of land.

**** Net acres based on 10,000 gals per day per acre.

With respect to current leakages, Kingman Crossing capture rates are assumed to be about 50 percent for merchandise lines that include necessities, categories with smaller current retail leakages, and categories with a broader base of consumer demand. Kingman Crossing capture rates of 70 percent were assigned to categories with larger current retail leakages and/or high levels of demand from visitors. The capture rate for merchandise lines with elements of both types is assumed to be 60 percent.

The Kingman Crossing capture rates are assumed to increase by 10 percent in the case of future growth, since the existing base of businesses will be less important to the new consumers and much of the population growth in the Kingman Market Area is likely to be in the area near Kingman Crossing.

These capture rates are applied to current market opportunities to project the amount of additional acres and square feet that could be supported at Kingman Crossing. The current level of retail leakages translates into about 382,000 square feet, or about 62.5 acres, of additional retail and entertainment space that could be supported at Kingman Crossing if all of the consumer expenditures that are currently made outside the region could be captured locally (**Table 11**). This includes about 364,000 square feet of retail space, 18,000 square feet of entertainment space and 282 hotel rooms (which are in addition to the 382,000 square feet). The largest categories for current opportunities include home furnishing and clothing stores.

Under the baseline scenario, growth in demand from residents and visitors could support an additional 293,000 square feet and 745 hotel rooms at Kingman Crossing by 2025 and an additional 307,000 square feet and 697 hotel rooms by 2035. This translates into 145.0 acres of additional retail, hotel and entertainment development by 2035, including automotive categories (**Table 12**). Including current supportable space and future growth, the baseline scenario would support 982,000 additional square feet and 1,724 hotel rooms translating into 207.6 acres of development at Kingman Crossing by 2035. The largest retail categories in terms of future growth include grocery (food at home), restaurants and home furnishings. There is also a significant demand for additional hotel rooms that is driven by increased traveler volume in the market area.

TABLE 12: KINGMAN CROSSING DEVELOPMENT POTENTIAL – ACRES

Merchandise Lines	Floor Area Ratio	Baseline Growth Scenario				Optimistic Growth Scenario			
		Current	2017-2025	2025-2035	Current-2035	Current	2017-2025	2025-2035	Current-2035
RETAIL SALES (Except Automotive)	0.20	49.1	34.9	36.8	120.9	49.1	55.7	39.5	144.4
HOTEL / LODGING	**	10.0	26.3	24.6	60.8	10.0	38.9	27.9	76.8
ENTERTAINMENT	0.20	2.4	4.6	4.7	11.7	2.4	7.2	5.2	14.8
AUTOMOTIVE									
Automotive (Ex. Fuel / Lubricants)	***	0.5	2.8	3.3	6.7	0.5	3.9	3.5	7.9
Automotive (Fuel / Lubricants)	****	0.5	3.2	3.7	7.4	0.5	4.4	3.9	8.8
TOTAL		62.5	71.9	73.1	207.6	62.5	110.2	80.1	252.8

Source: Applied Economics, 2017

* Based on shown FARs and an 0.85 net acre to gross acre conversion.

** Based on 3 acres per 100 rooms.

*** Net acres of sales lots based on sales rate of \$200 / square foot of land.

**** Net acres based on 10,000 gals per day per acre.

Under the optimistic scenario, increased demand could support an additional 466,000 square feet and 1,103 hotel rooms at Kingman Crossing by 2025, and an additional 331,000 square feet and 792 hotel rooms by 2035. The optimistic scenario incorporates more population growth, consistent with the high series population projections for the region issued by the Arizona Office of Economic Opportunity and 15 percent more growth in visitor volumes. All total, the level of growth associated with the optimistic scenario could yield 1.18 million square feet of additional retail and entertainment space and 2,177 hotel rooms at Kingman Crossing by 2035. This translates into 110.2 acres of additional retail, hotel and entertainment development by 2025 and 80.1 more acres by 2035 for a total of 252.8 acres.

This level of future potential at Kingman Crossing can also be translated into projected city sales and lodging tax revenues. Sales per square foot and average hotel room rates are applied to the projected amount of square footage and hotel rooms to estimate taxable sales. Note that gasoline sales are not subject to sales tax. In addition, the analysis assumes that food for home consumption and prescription drug sales are not taxable, which reduces taxable sales from the Food at Home and Drug and Health Aids categories. The city sales tax rate in Kingman is 2.5 percent for most retail categories, although an additional 1 percent tax is charged on restaurant and bars, and an additional 4 percent on lodging.

The currently supportable square footage could yield an estimated \$3.0 million in annual city sales tax revenues and \$247,000 in annual lodging taxes, based on the projected capture rate of current retail leakages by Kingman Crossing (**Table 13**). Under the baseline scenario, the amount of annual sales and lodging taxes from Kingman Crossing could increase to \$7.0 million by 2025 and \$10.8 million by 2035. Under the optimistic scenario, the amount of increased consumer demand that could be captured by Kingman Crossing would result in \$10.0 million in annual sales and lodging tax revenues to the city by 2025 and \$13.6 million by 2035. In either scenario, these figures represent a significant increase in annual city revenues.

**TABLE 13: KINGMAN CROSSING DEVELOPMENT POTENTIAL –
ANNUAL SALES TAX REVENUES (2017 DOLLARS)**

Merchandise Lines	Baseline Growth Scenario Annual Sales Tax Levels			Optimistic Growth Scenario Annual Sales Tax Levels		
	Current	2025	2035	Current	2025	2035
RETAIL SALES (Except Automotive)*	\$2,658,779	\$4,584,629	\$6,590,435	\$2,658,779	\$5,728,849	\$7,896,034
HOTEL / LODGING	\$401,598	\$1,462,593	\$2,454,173	\$401,598	\$3,033,359	\$3,580,968
ENTERTAINMENT	\$112,985	\$326,815	\$542,677	\$112,985	\$445,068	\$686,556
AUTOMOTIVE						
Automotive (Ex. Fuel / Lubricants)	\$97,575	\$624,044	\$1,236,933	\$97,575	\$822,365	\$1,469,238
Automotive (Fuel / Lubricants)	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL CITY SALES TAX	\$3,023,800	\$5,943,564	\$8,751,421	\$3,023,800	\$7,600,423	\$10,485,210
TOTAL LODGING TAX	\$247,137	\$1,054,518	\$2,072,796	\$247,137	\$2,429,218	\$3,147,585

Source: Applied Economics, 2017

* Restaurant sales are taxed at 3.5 percent. Grocery food and prescription drugs are not taxed.

** Lodging sales are taxed at 6.5 percent including a 2.5 percent sales tax and a 4 percent lodging tax.